Foreign Agriculture

December 26, 1977

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE

Unloading sugarcane at Thai mill.

Sugar Output Higher, World Prices To Rise

By Robert M. McConnell

Most aspects of the world sugar sector have expanded in 1977, as production, stocks, and consumption have all grown. The one major exception has been prices, which generally have declined. In 1978, however, even though sugar output, stocks, and usage are expected to continue upward, prices—reacting to the provisions of the International Sugar Agreement—may also rise. And beyond 1978, a better balance is probable between supply and demand.

In the year coming to an end, most aspects of the world sugar sector followed trends that had been evident in 1976. Sugar production continued to increase and despite some growth in consumption, yearend stocks spiraled upward. The one major aspect that did not move up was prices; these have generally declined.

But sugar may have reached a watershed. While further increases in production, consumption, and stocks are expected in 1978, the recently enacted International Sugar Agreement provides a basis for predicting higher market prices. And beyond 1978 there is some reason to expect a better balance between world supply and demand for sugar.

The Foreign Agricultural Service's first estimate of world sugar production in 1977/78 (September-August) is for 90.7 million metric tons, raw value. Based on past experience, this initial estimate will be within 2 percent of the final figure. Weather conditions can still affect production in Southern Hemisphere countries, as well as harvests in some Northern Hemisphere countries.

The 1977/78 sugar outturn is a record, and will continue the steady growth in world sugar production that began with the 1974/75 crop. The current crop is nearly 3.5 million tons greater than the revised 1976/77 production figure of 87.3 million tons.

Significant production increases are expected in Europe—including the USSR—and South America. Total output of sugar from beets is expected to increase 7 percent, while cane sugar will rise by 2 percent.

Further increases in sugar consumption are expected next year. Presently, world usage of sugar for the 1977/78 crop year is placed at 85.7 million tons, about 3 million tons above 1976/77's.

Based on forecast production and consumption levels, world sugar stocks at the end of the 1977/78 crop year could total about 27 million tons, some 5 million tons above the estimated 1976/77 ending stocks. This would be the fourth consecutive year of stock accumulations. The forecast level would be in excess of 30 percent of anticipated consumption, the highest level since the end of the 1968/69 crop year.

The beet crop in Western Europe generally has been good and total sugar production in 1977/78 is expected to be 13.8 million tons, 4 percent above the 1976/77 outturn. For the European Community, production in the upcoming year will be a record 11.1 million tons, compared to 10.5 million tons in 1976/77. Sugar output, at 3.9 million tons, will be up nearly 1 million tons in France owing to favorable weather conditions. Harvested area will actually be down slightly, however.

Production in the United Kingdom is expected to be a record 1 million tons because of a large beet outturn and good sucrose yields. Little change is expected in the German output, as a record beet outturn only offset reduced area and low extraction rates.

Italian sugar production will be down about 500,000 tons, as unfavorable spring weather reduced the planted area. Also, unattractive

---

The author, who is director, Sugar and Tropical Products Division, Foreign Commodity Analysis, FAS, made these remarks, Nov. 14, 1977, at the 1978 Food and Agricultural Outlook Conference.

prices influenced some farmers not to grow beets. Production in Spain will be down about 10 percent as drought conditions during the planting season reduced the area sown. The same is true for Greece.

For Eastern Europe, including the USSR, it is forecast that sugar output will be about 18 percent above that of 1976/77. Most of this growth will take place in the Soviet Union; the 1977/78 production is forecast at 9.3 million tons, nearly 2.0 million tons greater than the 1976/77 freeze-affected outturn. While there is little change expected in the USSR's sugarbeet outturn, completion of harvest before any significant freezes and reasonable—although not high—extraction rates provide the basis for the increased sugar outturn. If the Soviet Union ultimately produces the forecast amount, it would be a record, and also make the USSR the world's leading producer of centrifugal sugar. Increased production is expected in Czechoslovakia, the German Democratic Republic, Hungary, and Poland, while Romanian outturn may decline 10 percent.

Production in Caribbean nations is forecast at 8.3 million tons, about 300,000 tons above the 1976/77 level. Cuba's output is placed at 6.0 million tons, as better weather conditions aided recovery from last year's drought-reduced outturn. It is expected that production will be up slightly in the Dominican Republic, the result of expanded harvested area and greater cane production.

Some recovery is forecast in the Jamaican and Trinidadian sugar crops as cane and sucrose yields return to more normal levels from 1976's low points.

Production in North and Central America will fall to 10.4 million tons in 1977/78, compared to 10.9 million tons last season. Expanded production in most Central American countries could not offset the decline in U.S. output.

Because of higher yields, Mexico's outturn of sugar is forecast to be nearly 2.9 million tons, setting a new production high for that nation.

An increase of nearly 10 percent is expected in sugar production in South America. Brazil will account for most of the production increase, with output forecast to rise to a record 8.6 million tons, as harvested area and cane production continue to increase.

There may be a small increase in outturn in Argentina and Peru, as well as a recovery in Venezuelan production from the very low 1976/77 level. On the other hand, output in Colombia is expected to decline again as dry weather conditions will have an effect on sucrose content.

In Africa, total output is forecast to increase 3 percent. After reaching a record high in 1976/77, production in South Africa is expected to again increase in 1977/78 to 2.1 million tons. An expansion of harvested area and cane production will offset only average sucrose content. Sugar production in Mauritius may be off slightly as a result of insect problems.

The 1977/78 output of sugar in Asia will be off 4 percent from the 1976/77 level and total only 18.9 million tons. Declines are expected in a number of countries, including the Philippines, Thailand, and the Republic of China (Taiwan). A decline in harvested area and yields—the result of low prices that reduced producer inputs—are factors behind the estimated 15 percent drop in Philippine sugar production.

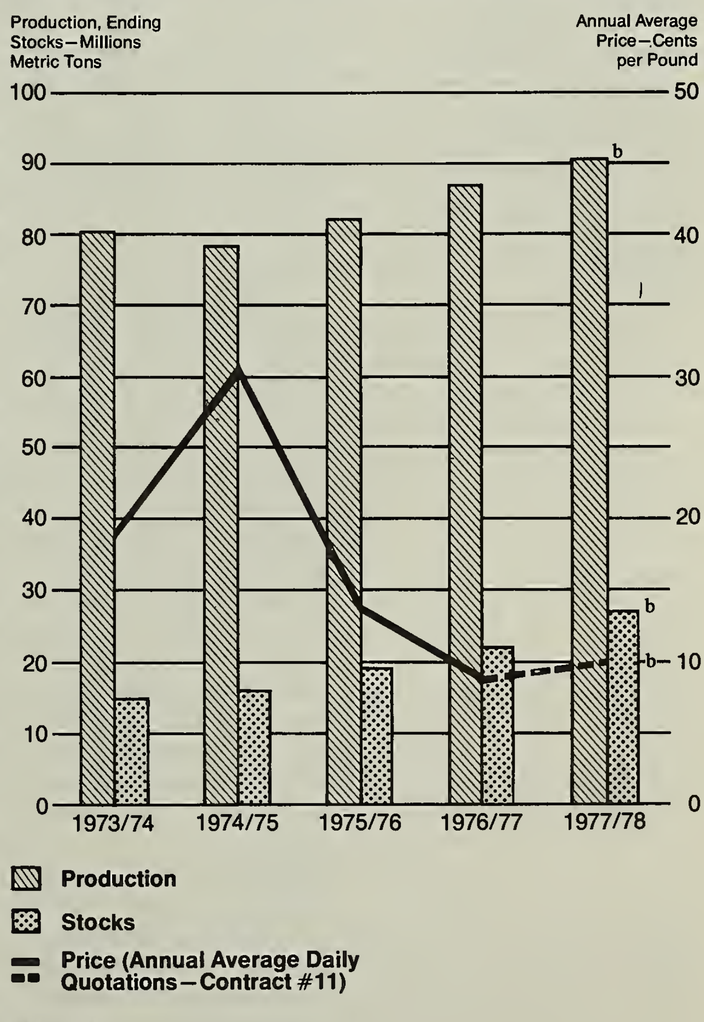
On the other hand, the approximate 20 percent decline in Thailand's sugar output is ascribed to drought conditions, as there will be little change in harvested area. The sugar outturn in Taiwan in 1977/78 may be down 11 percent from the record 1976/77 level, as yields return to more normal levels. Production of sugar—including khandsari—in India is expected to be about equal to the 1976/77 level.

Despite recent typhoon damage, good yields in India, coupled with the expected expansion in harvested area, could result in a significant rise in the final production figure. In any case, India should remain the world's leading producer of sugarcane.

There will be only minor changes in sugar outturns in Australia and Fiji. For Australia, harvested area and yields in 1977/78 are expected to be nearly equal to 1976/77 levels.

Higher market prices expected in 1978 are largely based on the recently negotiated International Sugar Agreement (ISA). The Agreement is expected to enter into force on January 1, 1978. Initially the pact will

Sugar: World Production, Ending Stocks, and Annual Average Price Crop Years[a], 1973/1974—1977/78



[a] Sept. to Aug.
[b] Forecast

"Production in North and Central America will fall to 10.4 million tons in 1977/78, compared to 10.9 million last season. Expanded production in most Central American countries could not offset the decline in U.S. output."

operate on a provisional basis. While a number of nations, such as the United States, will have signed and agreed to implement the Agreement, these countries' full-fledged membership will be subject to a legislative ratification.

The price range established in the new ISA is 11-21 cents per pound, world market. The price range will be defended by a combination of export quotas and stock accumulations and their release for sale. When prices are between 15 and 19 cents per pound, market intervention will be at a minimum.

As the ISA comes into existence, shipments by exporting members will be regulated by quotas. It is estimated that these exporters have the potential to ship about 17 million tons of sugar in 1978. However, the market in 1978 cannot absorb this much sugar. Therefore, the Agreement provides that shipments by exporting members will be limited to about 13.3 million tons.

An additional reduction in this level may be made during 1978 if the market price remains below 11 cents per pound. Also, quantities that exporters cannot furnish against their quotas will not be redistributed to other exporters when the market price is below 12 cents.

Some of the potential "surplus" sugar supplies will be absorbed by the stock provisions of the ISA—exporters are required to place into these stocks at least 1.0 million tons during the first year of the Agreement.

There also will be restrictions on importers that could have a price-enhancing effect. Importing members will undertake to limit their purchases from nonmembers as a group, to 75 percent of the amount purchased during an historical period when prices are between 11 and 21 cents, and 55 percent when prices are below 11 cents.

Through the various Agreement elements there will be "created," in the short run, an artificial balance between supply and demand. During 1978 it is probable that world market prices will rise in response to this balancing of supply and demand. There is a good chance that the price will climb within the ISA range before the end of 1978.

Over the longer run, the ISA, by assuring producers better prices—but at the same time protecting consumers from price runups of the type that occurred in 1974—could result in a fundamental balance between world sugar supply and demand. It is unlikely that major sugar exporters will cut back production significantly as a result of the ISA. However, production expansion programs will probably be keyed to market opportunities under the ISA.

A recently completed FAS study, "World Sugar Supply and Demand, 1980 and 1985," provides some indication of how the ISA may foster this supply/demand balance. One of the objectives of the study was to project production, demand, and area for major countries, given different world-price scenarios in 1980 and 1985. The price scenarios utilized were 7, 15, and 23 cents per pound, world-market basis.

The study found that world sugar supply and demand could be in balance in 1980, at about 13.1 cents per pound. At prices below this level there would be an excess of demand over supply, while the opposite would be true if prices were above 13.1 cents. (For 1985, the equilibrium price was found to be about 15.6 cents.) This price is within the range specified by the ISA. Therefore, the study supports the belief that the Agreement could foster a balance in the world sugar market.

A review of the 1978 international sweetener scene would not be complete without a look at high fructose corn syrup (HFCS). The United States is the leading producer of HFCS. Most foreign production is to be found in the European Community, Japan, and Canada. However, high fructose sweetener (HFS) is or soon will be produced in some other countries.

For example, there is a plant in Singapore that has the capacity to produce 200 tons per month using tapioca and sago as the main starches. The plant's monthly capacity may be increased to as much as 1,000 tons in 1978. It is estimated that in 1978 HFS production, outside of the United States, will amount to about 500,000 tons, while U.S. production may be approximately 1.0 million tons. Actually, installed capacity will be greater.

There have been a number of studies undertaken to determine future production and usage of HFCS, and its impact on sugar markets. It appears that, as a result of lower world sugar prices, once-envisioned rapid inroads by HFCS during the latter 1970's and early 1980's will not occur.

Among other things, investment in new facilities is not an attractive use of capital vis-a-vis return rates on investment in other projects. Governmental policies may also affect HFCS production. Recent actions by the European Community relative to isoglucose (which includes HFCS) are indicative of this course. □

World Almond Crop Dips

Despite another record U.S. almond crop, world production in 1977 declined 8 percent because of sharply reduced output in Spain and Portugal. Strong worldwide demand, coupled with large supplies from the 1976 crop, resulted in record export shipments during 1976/77. Demand is expected to remain high throughout 1977/78 with the prospect of another record export season.

The cold wave that swept through **Spain** during the last 3 days of March caused widespread damage to the almond crop. As a result, almond production in 1977 is expected to reach only 30,000 metric tons, shelled basis, a 54 percent drop from the previous year's output.

Spain's almond exports during the September-June period of the marketing season totaled 29,196 tons, 55 percent ahead of the same period a year ago. Principal destinations included France, West Germany, Switzerland, and the Soviet Union. According to trade sources, Spain is likely to export some 31,000 tons for the entire 1976/77 season and 26,000 tons in 1977/78.

Because of favorable weather, **Italy's** commercial almond crop in 1977 is estimated at 23,000 tons, 39 percent more than in 1976 and the largest crop since 1970. However, final output will also depend on the availability and cost of labor at harvest time.

Italy's exports during September 1976-May 1977 totaled 7,214 tons, 94 percent more than in the same period a year earlier. Competitive prices, stemming from the devaluation of the lira, and good nut quality, were the principal reasons behind the increase.

Major destinations remained West Germany, the Netherlands, and France, despite the European Community premium of 8 units of account [1] per 100 kilograms, granted for exportation to third countries. Exports for the entire 1976/77 season are expected to total around 8,000 tons with an even larger export volume forecast for 1977/78.

Italy's almond imports during September 1976-May 1977 dropped to 890 tons, 39 percent less than those of a year earlier. Spain remained the primary supplier with 79 percent of the volume, followed by the United States with 10 percent. Total 1976/77 imports are estimated at 1,000 tons, down from 1,700 tons the year before.

Continuous rains in **Portugal** during the blossoming period resulted in widespread fungi infestation causing severe damage to almond blooms in maior producing areas. The 1977 almond output is not expected to exceed 1,560 tons, a 70 percent decline from the 1976 outturn.

Almond exports during 1976/77 are estimated at about 3,000 tons, 67 percent above last year's level, and should continue to expand during the 1977/78 season. Domestic consumption increased at an accelerated rate in 1975 and 1976 because of the large influx of returnees from Portugal's former colonies of Angola and Mozambique.

High winds in the mountain regions and dry conditions in the south of **Morocco** caused some premature dropping of the almond crop. However, favorable conditions early in the season were conducive to a large nut set, resulting in good crop prospects for 1977.

Production in 1977 is estimated at 2,500 tons, one-fourth larger than the previous year's crop, but still only half the level of 1973's. Although some new plantings have occurred recently, the large number of aged trees has become an increased burden. New crop almonds are noticeably smaller than last year's crop.

Morocco's export market experienced another disastrous year in 1976/77, as tight supplies stemming from the short 1976 crop—coupled with increased domestic consumption—left very little for export. Almond exports for the 1976/77 marketing season are estimated at 110 tons, about the same level as the two previous seasons. However, export marketings are expected to recover somewhat during 1977/78 because of larger anticipated supplies from the current crop.

Almond production in **Iran** has trended downward since 1970, as producing areas near large cities have given way to residential expansion. The 1977 almond crop is estimated at 7,600 tons, 9 percent larger than the freeze-damaged crop of 1976, but only three-fourths the size of the 1970 crop.

New areas under almond cultivation have not been developed in sufficient scale to replace areas withdrawn from production. Efforts to improve nut quality by introducing new almond varieties have had little effect.

Domestic consumption, which has continued upward because of rising population and growing affluence has resulted in reduced export availability and smaller ending stocks. Total exports for the 1976/77 season are expected to reach only 1,850 tons, 10 percent less than those of a year ago. Further declines are expected in 1977/78.

Despite extremely dry conditions throughout California early in the season, favorable growing conditions through the summer months and increased bearing area contributed to another record **U.S.** crop. The 1977 commercial almond crop is expected to reach a record 130,600 tons, about 12 percent above the previous record crop produced last year. The quality of the crop is reportedly good, although smaller sizes are predominant as a result of the drought.

Spurred by strong worldwide demand, U.S. exports of shelled and unshelled almonds during the 1976/77 marketing year (July-June) reached a record 59,500 tons, shelled basis, a 28 percent increase over the previous record volume of 1975/76. West Germany, the largest market, increased its take to 19,328 tons (+23 percent), and Japan purchased 10,226 tons (+37 percent).

Shipments to the USSR, one of the fastest growing markets for U.S. almonds, showed a sharp increase (+264 percent) during this period, from 1,377 tons in 1975/76 to 5,014 tons in 1976/77.

Prospects appear favorable for further expansion of the export market during 1977/78 because of the expected sharp decline in Spain's almond output and continued strong demand. □

[1] Equivalent to $9.34 per 100 kg, converted to 1,030 Italian lire per unit of account and about 0.11 U.S. cents per lira as of December 1, 1977.

World Tobacco Demand Slackens, Despite Cigarette Output Gain

By B. G. Andrews

Cigarette output may continue to trend upward in the next few years, in line with the population increase, but actual tobacco requirements for use in cigarettes are expected to lag behind the consumption growth rate as manufacturers continue to improve efficiencies in utilization of leaf. World production of tobacco in 1977 is seen below the previous year's high level.

The world market for tobacco has been growing on a long-time uptrend. Foreign production, trade, and consumption—particularly for flue-cured and burley types—have been rising at a rather rapid rate. The world tobacco crop reached a new record in 1976 and cigarette consumption rose to new high levels even though the pace was slower than in most recent years.

Supplies of tobacco in most areas or available from traditional sources appeared adequate to meet anticipated requirements even though a tight supply situation seemed to be developing in quality flue-cured tobacco. Prices in world markets were rising rapidly.

In the past year, however, some slackening has appeared in growth of demand for tobacco, with slower rates of increase in cigarette output—particularly in developed countries. Higher prices for cigarettes owing to rising costs and increased taxes and intensified antismoking efforts have tempered market expansion in a number of major consuming countries.

Cigarette output may continue to trend upward in the next few years at least in line with the population increase, but actual tobacco requirements for usage in cigarettes are expected to lag behind the consumption growth rate as manufacturers continue to improve efficiencies in utilization of leaf.

Global production of tobacco in 1977 for flue-cured and burley types is preliminarily indicated below the high level of the previous years. Flue-cured production is expected to be down more than 120,000 tons, with the ma'or reductions in U.S. and Rhodesian crops. On the other hand, larger crops are indicated for Brazil, India, Canada, Korea, Pakistan, South Africa, and Japan, but are not sufficiently large enough to offset the reduction in the U.S. flue-cured crop.

World burley production is also expected to be lower. A reduced crop in the United States will be partially offset by small increases in Italy, Korea, and Brazil. Even though U.S. burley exports have reached a new record level, the U.S. share of the world burley market continues to decline.

Slackening growth in demand is also affecting world trade for tobacco. Manufacturers in a number of major importing countries have drawn on stocks rather than increase purchases. Although world imports for consumption may not differ much in net total volume, the pattern of imports had significantly changed, reflecting a shift to lower cost, and milder types of cigarette leaf from foreign suppliers.

U.S. imports also dropped slightly in the past year, reversing the uptrend of recent years. However, with increasing supplies of foreign-grown tobaccos, and reduced U.S. supplies at higher prices, U.S. imports are expected to return to their long-time upward trend.

Based on current analyses, U.S. unmanufactured tobacco exports (including bulk smoking tobacco) during fiscal 1977 totaled 296,000 tons, valued at $1.1 billion. This compares with 273,000 tons valued at $929 million in the preceding year.

Cigarette exports in fiscal 1977 jumped to 68 billion pieces with a value of nearly $613 million. This represented a growth of 16 percent in quantity and a 29 percent hike in value from $474 million the previous year, out of total manufactured product exports of about $500 million.

U.S. tobacco exports are expected to be down in fiscal 1978 compared to the relatively high level of the past year. Unmanufactured tobacco exports are forecast at about 250,000 tons valued at $984 million, both quantity and value substantially down from the preceding year's. Leaf tobacco exports were depressed for the duration of the recent longshoremen's strike because almost all tobacco moves through East Coast ports and a significant part of the exports are containerized. A portion of the leaf that moved during the last quarter of fiscal 1977 would normally have moved in the first quarter of fiscal 1978. Therefore, the distorted trend patterns caused by the strike are partially responsible for the pessimistic 1978 outlook; however, the primary reason is foreign buyer resistance to the higher prices and lower quality of the 1977 flue-cured crop.

The size of the U.S. flue-cured crop currently being sold is 15 percent below 1976's and is reported to be significantly lower in quality. The drop in output resulted from a 12 percent quota reduction, combined with severe drought during the growing season. Supplies of upper-stalk leaf grades, normally desired by exporters, were proportionally even smaller than the total crop. The reduced supplies of the export grades and resulting sharply higher prices caused many foreign buyers to curtail purchases drastically.

The Japanese Tobacco Corporation, the largest leaf customer in fiscal 1977, is expected to reduce shipments in the current fiscal year by an estimated 5 percent to 44,000 tons. Poor quality and higher prices were given as reasons for the reduction. West German buyers cite higher prices, a shortage of desirable grades, and a slump in domestic cigarette sales as reasons for a projected 10-15 percent decline in purchases in

---

The author is Director, Tobacco Division, Foreign Commodity Analysis, Foreign Agricultural Service. This article is based on his remarks at the recent Agricultural Outlook Conference.

fiscal 1978.

The same reasons were quoted by the United Kingdom and most other major buyers, who project lower shipments in fiscal 1978.

On October 4, U.S. Agricultural Attachés in several leading markets for U.S. tobacco were requested to contact major users of U.S. leaf in their countries to ascertain anticipated purchases of U.S. tobacco in current and subsequent years.

Their replies indicated that reductions in purchases from the 1977 crop were caused by high prices and shortages of desirable upstalk grades as well as some slump in cigarette sales. For 1978 and beyond, we may anticipate continued cuts in use of U.S. leaf if the pattern of high prices and short supply of desirable qualities continue.

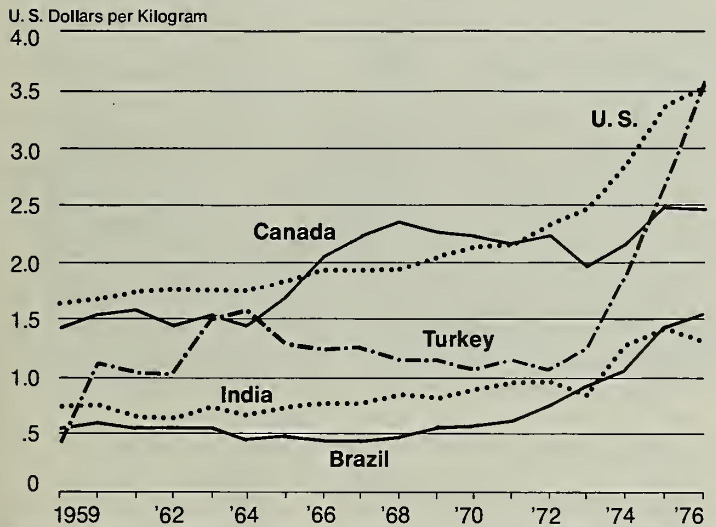
Some markets were unwilling to project purchase requirements of U.S. leaf beyond 1978 because of price and supply/demand uncertainties. If prices and supplies are favorable, even larger purchases may be made or further reductions may be abated. Should U.S. leaf become a relatively better value than competing leaf, foreign purchasers will continue to use a high proportion of U.S. leaf for quality reasons.

Yet, if purchases and use are once reduced and the resulting products are acceptable to consumers, then requirements of U.S. leaf could remain at a lower level than the pre-1977 period.

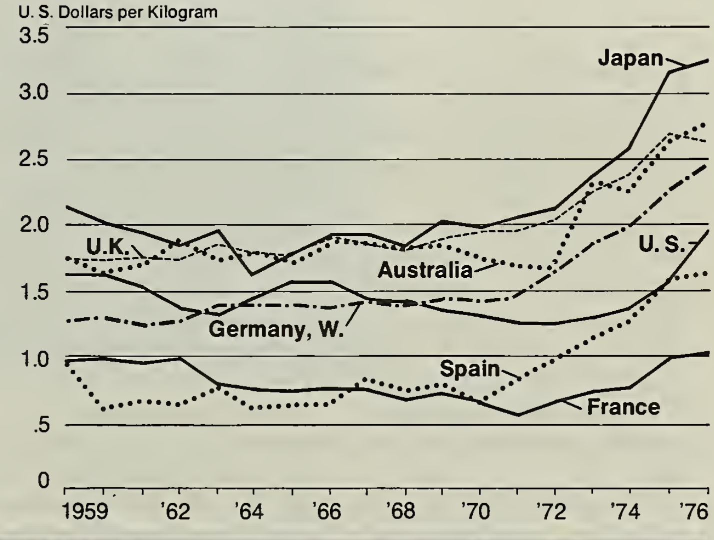
The future for U.S. tobacco in world markets is uncertain. Continuation of present trends indicates further erosion of the U.S. share of world trade. Mounting pressures against U.S. tobacco make it increasingly difficult to project the future. Unless the United States is able to make available additional supplies of acceptable tobacco in more selective grades and qualities at more competitive prices to meet their foreign purchasers' requirements, the U.S. share of world trade will continue to erode. □

UNMANUFACTURED TOBACCO

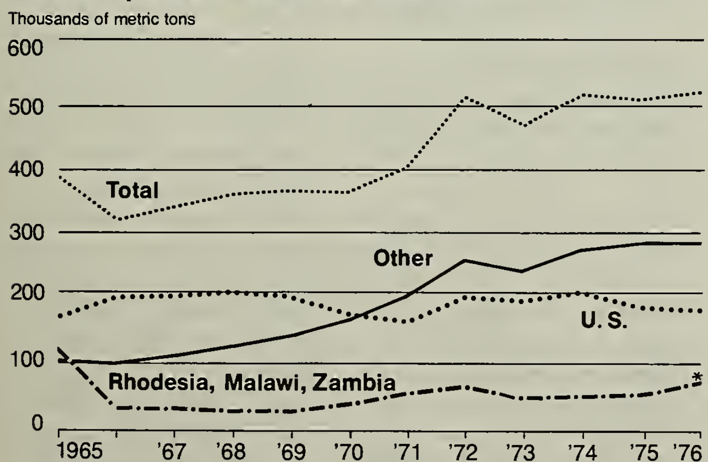
Average Export Values



Average Import Values

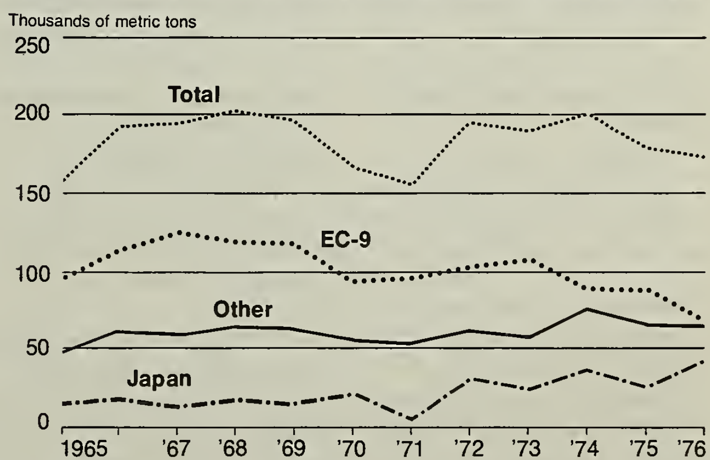


World Exports of Flue-cured Tobacco



*Estimated

U. S. Exports of Flue-cured Tobacco by Market Area



Will Turkey's Wheat Outturns Support Continued Exports?

By Yusef Z. Durusoy

Is Turkey's shift to the ranks of the world's exporting countries a permanent one, or it is a short-run phenomenon?

Historically an importer of wheat, Turkey in the past 3 years has become a surplus producer of this grain as a result of excellent growing weather, improved seeds and cultivation practices, and expanded fertilization and irrigation.

However, prior to the 1972/73 (July-June) marketing year, even in years of good growing weather Turkey's wheat production was barely enough to cover total domestic consumption. When adverse weather or disaster struck, substantial quantities of imported wheat were required.

Although wheat production has risen without interruption from 8 million metric tons in 1973 to 13.5 million tons in 1977, Turkey's grain area has reached its limits, and no further expansion can be expected.

Yields may be increased, however, through better seeds, more fertilization and irrigation, and improved cultivation practices, but the gains resulting from these inputs would be necessary to meet the country's growing domestic demand for wheat.

In years of normal-to-good weather, Turkey may be able to export wheat and barley, but in years of poor harvests, imports of wheat—even barley—will be needed.

Even if Turkey's wheat yields are raised to such a level that total production exceeds domestic demand, wheat area may be reduced because wheat exports under present world market conditions will not be economical for Turkey.

The prospect of better returns probably will result in planting of corn and sunflowers to areas now sown to wheat.

Of Turkey's total arable land, about 80 percent (12.5 million hectares) is in cereals. Wheat, the most important cereal crop, occupies about 8.5 million hectares; barley, 2.6 million; corn, 600,000; rye, 500,000; oats, 300,000; and rice, 60,000 hectares.

Traditionally, Turkey has been self-sufficient in all grains except wheat, and more recently, rice. Until a few years ago, the country imported an average 400,000 tons of wheat annually.

During the past 2 years, however, both wheat and barley production reached record levels and Turkey became an exporter of these grains.

Rice output during the past several years has remained at about 150,000 tons, while consumption increased considerably, necessitating imports of about 40,000 tons annually.

Turkey's grain yields have continued to increase, but are still low compared with levels in other producing countries. Average wheat yield per hectare is about 1,600 kilograms; barley, 1,700; corn, 2,000; rye, 1,300; oats, 1,500; and rice (milled), 2,700 kilograms.

Although the Ministry of Agriculture since the 1930's has been trying to help Turkey's farmers increase their grain yields through introduction of new varieties, fertilizer, irrigation, and better cultivation practices, the net results have been less than satisfactory.

Most of Turkey's grain producers are subsistence farmers or small landholders. Many of the recommended practices cannot be implemented by these small farmers because of limited resources of land and capital.

As a result, the year-to-year levels of grain production depend not only on weather, but also on weather plus a combination of the inputs recommended by the Government.

About half of the country's total grain production is consumed by the producers themselves and the other half normally moves into commercial channels.

Turkey's Soil Products Office (Toprek Mahsulleri Ofisi—TMO)—the official purchasing and selling agency for grains—usually buys from 20 to 40 percent of total wheat, barley, rye, and oats sold in the country.

TMO's share varies from year to year, depending on the total production level. The shares of corn and rice purchased by TMO are very small.

TMO was established about 40 years ago to protect both producers and consumers by stabilizing the domestic grain trade. The agency buys from farmers at supported prices and sells to the domestic market at predetermined prices.

TMO handles all kinds of exports and imports of grains. No private exporters or importers are engaged in the country's grain trade.

Grain support prices are set before the harvest and maintained at the same level throughout the marketing year for the entire crop. The domestic selling prices for grains also apply to the entire marketing year.

Internal selling prices are about half a U.S. cent higher than the support prices paid by TMO—a level that usually covers the agency's handling and storage costs.

TMO normally does not lose money on its domestic grain business. However, import and export transactions can result in profit or loss, depending on world prices.

At times, TMO has imported wheat at low world prices and sold it profitably at high domestic prices. In recent months, TMO has exported wheat and barley unprofitably at relatively low world prices. Any losses resulting from these transactions are covered by the Government.

The author is chief agricultural specialist, Office of U.S. Agricultural Attaché, Ankara.

Top: Grain harvesting in Turkey has been modernized on most of the country's large farms. Left: A Turkish field of one of the Mexican varieties of wheat, ready for the combine's blades.

Turkey's support prices for grain historically have been higher than world prices, in keeping with the Government's policy of encouraging output and protecting producers against low yields.

This was a satisfactory policy when Turkey was an importing country, but in the past 2 years domestic wheat and barley production have reached record levels and Turkey had to export its huge surplus stocks at world prices, which were lower than the support prices paid Turkish farmers.

Turkey currently loses about $100 per ton on the wheat it exports. At the prevailing support prices, 1 ton of wheat costs the Government about $190-$200.

Despite huge carryover stock from the 1976 crop and declining world wheat prices, the Turkish Government increased 1977 support prices about 7 percent over last year's—a move dictated by political as well as economic reasons.

Production costs in 1977 were at least 10 percent higher than in 1976, and the general rate of inflation in the country is about 30 percent—factors that left most farmers far from satisfied with the new support prices.

However, the Government reasoned that it could not approve higher support prices because Turkey's support levels already were far above world prices and a larger increase would have added to the inflationary spiral and at the same time required a substantial export subsidy to keep Turkish grain competitive in world markets.

Early in the summer of 1976, Turkish Government officials were confident they could sell at least 2 million tons of wheat at about $150-$160 per ton, f.o.b.

With the drought in Europe a significant factor in their optimism, they refused several offers of about $125 per ton for Turkish wheat during the summer and fall of 1976, anticipating that world prices would increase.

Their expectations were not fulfilled, and world wheat prices continued to decline. In January 1977, the Government finally decided to export some of its wheat stocks at prevailing world prices, and sold the first lot of 15,000 tons to a German company at about $97 per ton.

Other sales followed—to Romania, Iraq, Bulgaria, Poland, Libya, Morocco, Iran, Tunisia, Egypt, and West Germany. By early December 1977, Turkey's total wheat export sales totaled more than 2 million tons at prices ranging from $90 to $110 per ton, f.o.b. The average selling price was $100 per ton.

To increase total wheat exports, the Turkish Government has authorized private millers to export wheat flour, and to promote such exports, wheat is provided by TMO to domestic millers

at prevailing world prices.

Thus far, however, this policy has not been an outstanding success. As of early November, only about 70,000 tons of wheat flour has been sold to Jordan, France, Libya, and Syria.

Turkey still has about 2 million tons of wheat for export, but actual sales will depend on the offering prices.

As Turkey's wheat production under normal conditions is barely sufficient to cover total domestic consumption, some wheat stocks must be carried over from surplus years to offset shortfalls in years of poor harvests.

Despite these realities, Turkey's wheat exports are expected to continue—even at substantial loss—for two reasons:

- Turkey's foreign-exchange reserves are at very low levels, and imports of some basic items are urgently needed.
- TMO has very limited storage facilities—totaling only about 1.7 million tons—and present stocks are estimated at about 4 million tons, most of which are stored in the open with plastic covering.

Outdoor storage is acceptable in areas where rainfall and moisture are low (such as in central Anatolia), but in other areas grain stored under such conditions must be moved out before the degree of spoilage reaches a significant level. TMO claims such damage does not exceed 2-3 percent, but it may reach higher levels under hot, humid conditions.

In the past, Turkey imported some barley, but during the past 2 years has been an exporter of this grain. Total exports since October 1975 have reached 430,000 tons—most of it malting barley, at prices ranging from $125 to $160 per ton. However, declining world prices have slowed imports, and no further large sales are expected in the near future. □

How Turkey Distributes Wheat

Turkey's Soil Products Office, TMO, sells or distributes wheat several ways:

- **Bread wheat is sold to flour mills in cities and small towns in quantities certified by governors, mayors, or other officials, depending on the area's population. Such sales account for 75-80 percent of total transaction. Amounts distributed are based on projected consumption of 10 kilograms per person per month. Mill owners buy the rest of their requirements on the free market. Flour and bread prices are determined by the municipal authorities, based on TMO and free-market wheat prices.**
- **Army bread requirements are met by flour milled from TMO wheat.**
- **Bread needs of schools, hospitals, and some Government organizations are covered by TMO supplies.**
- **Free-market sales at special prices can be authorized by the Cabinet if there is an urgent need and TMO stocks are available.**
- **Exceptional sales may be authorized for regions where free markets do not operate efficiently. Some Black Sea areas are under such programs.**
- **Good-quality TMO wheat is sometimes sold to farmers for seed.**
- **Emergency distribution or sale of wheat may be made by TMO following natural disasters, or may also be made in cooperation with the World Food Program.** □

Swiss Revenue Measures Boost Consumer Prices

Swiss consumers are faced with the prospect of higher prices for butter and foods made from grains and edible fats and oils.

The increases, attributed to a series of revenue measures designed to reduce the $880 million budget deficit, are the Government's response to voter rejection last summer of a value-added tax.

The duty on imported milling wheat has been raised from the equivalent of $1.25 per 100 kilograms (kg) to $11.70 per 100 kg (34 cents per bushel to $3.18 per bushel). Swiss imports average about 100,000 tons annually, which should generate about $10 million in revenues.

To prevent imported bread flour from undercutting domestic mill prices, duties in these categories were increased from $1.80 per 100 kg (in containers larger than 5 kg) and $8.35 per 100 kg (containers of 5 kg or less) to $16.75 per 100 kg.

In addition, duties on grits, farina, and products in categories BTN 1102.13 and 1102.21 were raised from $1.85 per 100 kg to $16.75.

In a cost-reducing action, the Swiss Grain Board's selling prices were increased by $2.90 per 100 kg across the board for all qualities, thus reducing the amount of support of Class I wheat from $14.85 per 100 kilograms to $11.90 for an expected saving of about $40 million annually in subsidies.

As a consequence, the price for bakery flour will be raised by $5.65 to $45.80 per 100 kilograms, resulting in higher bread prices.

Wholesale prices for butter have been increased by about 18-24 cents per kg, according to variety.

This boost would reduce the differential between the guaranteed producer price and the subsidized price to wholesalers, with the deficiency, to be made up by support payments, falling for first-quality butter from about $1.80 per kg to $1.59, and the wholesale price rising by about 21 cents per kg to $4.84 per kilogram.

The net effect is expected to be a savings of about $10 million annually in support expenditures for butter.

Import levies on edible fats and oils have been increased from $31.30 per 100 kg to $43.80, an action that could lower the budget deficit by about $10 million, assuming no change in the volume of imports. Rapeseed subsidies would be reduced by about $1.3 million a year.

Some of the higher levies on edible fats and oils were levied to retain price relationships between butter and competitive products. □

Index to Foreign Agriculture, 1977

C

D

E

F

G

H

Mc

M

N

O

P

Q–R

S

T

U

Foreign Agriculture

Vol. XV No. 52 Dec. 26, 1977

Bob Bergland, Secretary of Agriculture.
Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.
Thomas R. Hughes, Administrator, Foreign Agricultural Service.
Editorial Staff:
Kay Owsley Patterson, Editor; Beverly J. Horsley, Assoc. Editor; G. H. Baker; Marcellus P. Murphy; Aubrey C. Robinson, Isabel A. Smith; Lynn A. Krawczyk.
Advisory Board:
Richard A. Smith, Chairman; Richard M. Kennedy; J. Don Looper; Larry N. Marton; Brice K. Meeker; Jimmy D. Minyard; Steve Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D C 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

Month/Day

Drought in Australia Increases Livestock Yardings

Intensifying drought conditions prevailed across much of Australia as of November 25, resulting in increased yardings at livestock auctions and further reductions in cattle prices. Yardings reportedly were heavier than expected under similar drought conditions because little relief was in sight. Slaughter cattle prices in late November were US$4 to $5 per 100 pounds liveweight below the depressed levels of a year earlier. Store (feeder) cattle prices also declined and the market for unfinished and "drought" cattle prices dropped even more.

Australian beef and veal production in October totaled 181,365 metric tons, 16.7 percent above a year earlier. The heavy slaughter projected for December would push beef and veal production over 2.0 million tons in 1977, ccmpared with 1.88 million in 1976.

Heavy marketings are likely to continue well into 1978, but some of the potential gains in meat output will be offset by a reduction in slaughter weights and the destruction or death of range cattle due to shortages of forage. If the drought continues, beef and veal production may begin to decline in late 1978. On an annual basis, however, the declines in output probably will show up over a 4- or 5-year period beginning in 1979. □

EC Considers Dairy Options

Suspending intervention purchases of nonfat dry milk is one of the possible recommendations of the European Community (EC) Commission for the coming dairy year. Concerned over the cost of supporting the dairy industry, the Commission is considering other options, such as limiting increases in the target price for milk to no more than 3 percent, and eliminating the United Kingdom's consumer subsidy for butter. The "co-responsibility" levy on producers is expected to continue at the present level of 1.5 percent of the target price. Procedural changes are anticipated for intra-EC monetary adjustments. □